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FISCAL IMPACT STATEMENT

LS 6910

BILL NUMBER: SB 345

NOTE PREPARED: Mar 16, 2006

BILL AMENDED: Mar 14, 2006

SUBJECT: Reversal of payment delays.

FIRST AUTHOR: Sen. Meeks

BILL STATUS: Enrolled

FIRST SPONSOR: Rep. Espich

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the reversal of part of the payment delays in the schedule under which: (1) property tax replacement credit and homestead credit amounts are distributed to taxing units; and (2) distributions to state educational institutions are made. The bill makes an appropriation.

Effective Date: July 1, 2006; January 1, 2007.

Explanation of State Expenditures: *Background - Original PTRF Payment Delay:* Under current law, the state currently makes six PTRC/HSC distributions to counties each calendar year from the Property Tax Replacement Fund (PTRF). Under HEA 1001-2001, the May 2001 distribution was delayed until July 2001. Under HEA 1001-2002(ss), the May-July delay was extended to all years beginning in CY 2002. The payment that was moved is equal to 16.6% of the total annual payment.

The FY 2002 appropriation for higher education was reduced by 1/12. Since universities operate on a fiscal year budget, instead of a calendar year budget like other units of local government, this was a reduction in revenue for universities' FY 2002 budgets.

Background - 2005 Budget Bill Action regarding PTRF Payment Delay: The current budget bill, P.L. 246-2005, requires the State Budget Agency to repay up to ½ of the payments delays during the FY 2006-FY 2007 biennium if there are sufficient funds available. An early distribution of 50% of the PTRC/HSC payment delay balance will equal about \$184 M. However, the Budget Agency may reduce the percentage that is to be repaid if there are insufficient balances to fund repayments of 50%. No additional payments have been made to date.

Bill Summary: This bill speeds up the statutory PTRC/HSC payment schedule and makes additional appropriations to institutions of higher education. This bill appropriates \$136.5 M in FY 2007 for additional distributions of PTRC/HSC, and \$40 M in FY 2007 for general repair or repair and rehabilitation of dormitories or other student housing of state educational institutions, for a total appropriation of \$176.5 M in FY 2007.

PTRC/HSC: Beginning in CY 2007, the bill would change the PTRC/HSC distribution amounts for May and July. A new May payment will equal 6.2% of the total calendar year expenditure, and the July payment would be reduced from 16.6% to 10.4%. This provision would shift 6.2% of the total CY 2007 distribution from FY 2008 to FY 2007. This schedule would continue for future years.

The \$136.5 M appropriation in this bill would be added to the existing FY 2007 PTRC/HSC appropriation, producing a total \$2,165.0 M appropriation. Subject to future appropriations, the speedup of PTRC/HSC payments could cost the state an additional \$12 M in FY 2008 and \$5 M in FY 2009.

The amount of the PTRC/HSC payment delay (from FY 2007 to FY 2008) is estimated at about \$335.2 M under current law. The revised distribution schedule in this bill *along with* the current PTRC cap and the additional \$136.5 M appropriation would reduce the amount of the FY 2007 - FY 2008 PTRC/HSC delay to an estimated \$213.0 M.

Higher Education: The bill also appropriates \$40 M to universities for general repair and replacement. The payment of the \$40 M is to reduce any claim that universities have due to the payment delay in FY 2002. The total cost estimate to reverse the payment delay to universities is about \$112.8 M. After the initial \$40 M distribution under this bill, the remaining cost of eliminating the higher education payment delay could be as much as \$72.8 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *PTRC/HSC:* Total local unit revenue for a calendar year would remain unchanged. Some state credit payments would be received earlier in the calendar year under this provision than under current law.

State Agencies Affected: State Auditor; State Universities; State Budget Agency.

Local Agencies Affected: Local taxing units.

Information Sources:

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